

Conference Engrossed

**FILED**

**JANICE K. BREWER  
SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Forty-eighth Legislature  
First Regular Session  
2007

CHAPTER 234

## **HOUSE BILL 2305**

AN ACT

AMENDING SECTION 15-946, ARIZONA REVISED STATUTES; AMENDING LAWS 2005,  
CHAPTER 274, SECTIONS 2 AND 3; RELATING TO SCHOOL DISTRICT BUDGETS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-946, Arizona Revised Statutes, is amended to  
3 read:

4 15-946. Transportation revenue control limit

5 A. The transportation revenue control limit for each school district  
6 for the fiscal years 1985-1986, 1986-1987 and 1987-1988 is computed as  
7 follows:

8 1. Determine the adopted operational expenditure budget for pupil  
9 transportation for the fiscal year 1984-1985 effective January 1, 1985.

10 2. Determine the transportation revenue control limit for the school  
11 district for the fiscal year 1984-1985 as provided in this section before  
12 April 18, 1985.

13 3. If the school district's transportation revenue control limit for  
14 the fiscal year 1984-1985 as provided in paragraph 2 of this subsection is  
15 equal to or greater than the amount determined in paragraph 1 of this  
16 subsection, the transportation revenue control limit for the fiscal year  
17 1985-1986 is the change in the transportation support level from the fiscal  
18 year 1984-1985 to the fiscal year 1985-1986 plus the transportation revenue  
19 control limit for the fiscal year 1984-1985 as provided in paragraph 2 of  
20 this subsection. For the fiscal years 1986-1987 and 1987-1988 the  
21 transportation revenue control limit is the transportation revenue control  
22 limit for the current year plus the change in the transportation support  
23 level for the current year to the budget year.

24 4. If the school district's transportation revenue control limit for  
25 the fiscal year 1984-1985 as provided in paragraph 2 of this subsection is  
26 less than the amount determined in paragraph 1 of this subsection, the  
27 transportation revenue control limit for the fiscal year 1985-1986 is the sum  
28 of the following:

29 (a) The transportation revenue control limit for the school district  
30 for the fiscal year 1984-1985 as provided in paragraph 2 of this subsection.

31 (b) The change in the transportation support level from the fiscal  
32 year 1984-1985 to the fiscal year 1985-1986.

33 (c) One-third of the amount obtained by subtracting the transportation  
34 revenue control limit for fiscal year 1984-1985 as provided in paragraph 2 of  
35 this subsection from the amount determined in paragraph 1 of this subsection.

36 5. If the transportation revenue control limit of the school district  
37 for the fiscal year 1984-1985 as provided in paragraph 2 of this subsection  
38 is less than the amount determined in paragraph 1 of this subsection, the  
39 transportation revenue control limit for the fiscal years 1986-1987 and  
40 1987-1988 is the sum of the following:

41 (a) The transportation revenue control limit for the current year.

42 (b) The change in the transportation support level from the current  
43 year to the budget year.

44 (c) One-third of the amount obtained by subtracting the transportation  
45 revenue control limit for the fiscal year 1984-1985 as provided in paragraph

1 2 of this subsection from the amount determined in paragraph 1 of this  
2 subsection.

3 B. The transportation revenue control limit for each school district  
4 for the fiscal year 1988-1989 and each year thereafter shall be the  
5 transportation revenue control limit for the current year plus the increase  
6 in the transportation support level from the current year to the budget year,  
7 except that for fiscal year 2006-2007 and for each fiscal year thereafter,  
8 the transportation revenue control limit shall not increase if the  
9 transportation revenue control limit is more than one hundred twenty per cent  
10 of the transportation support level. For a school district that sponsors a  
11 charter school, its transportation revenue control limit for the budget year  
12 shall be calculated as follows:

13 1. Calculate separately, as prescribed by the department of education,  
14 the total transportation support level for the current year for all charter  
15 schools under the district's sponsorship in the current year.

16 2. Calculate separately, as prescribed by the department of education,  
17 the total transportation support level for the budget year for all charter  
18 schools under the district's sponsorship in the budget year.

19 3. Subtract the amount determined in paragraph 2 of this subsection  
20 from the amount determined in paragraph 1 of this subsection. If the result  
21 is zero or less, use zero in paragraph 4 of this subsection.

22 4. Subtract the amount determined in paragraph 3 of this subsection  
23 from the district's transportation revenue control limit for the current  
24 year. This is the adjusted transportation revenue control limit for the  
25 current year.

26 5. The transportation revenue control limit for the budget year is the  
27 adjusted transportation revenue control limit for the current year determined  
28 in paragraph 4 of this subsection plus the increase in the transportation  
29 support level from the current year to the budget year.

30 C. NOTWITHSTANDING SUBSECTION B, IF THE TRANSPORTATION SUPPORT LEVEL  
31 OF A SCHOOL DISTRICT EXCEEDS THE TRANSPORTATION REVENUE CONTROL LIMIT IN ANY  
32 BUDGET YEAR, THE TRANSPORTATION REVENUE CONTROL LIMIT SHALL BE ADJUSTED IN  
33 THAT BUDGET YEAR AND EVERY BUDGET YEAR THEREAFTER TO EQUAL THE TRANSPORTATION  
34 SUPPORT LEVEL.

35 Sec. 2. Laws 2005, chapter 274, section 2 is amended to read:

36 Sec. 2. Delayed conditional repeal

37 A. Section 15-103, Arizona Revised Statutes, ~~as added by this act,~~ is  
38 repealed from and after ~~December 31, 2007~~ THE DATE OF THE SINE DIE  
39 ADJOURNMENT OF THE FORTY-EIGHTH LEGISLATURE, SECOND REGULAR SESSION.

40 B. THE CHIEF CLERK OF THE HOUSE OF REPRESENTATIVES AND THE SECRETARY  
41 OF THE SENATE SHALL JOINTLY INFORM THE SUPERINTENDENT OF PUBLIC INSTRUCTION  
42 AND THE LEGISLATIVE COUNCIL, IN WRITING, WHEN THE CONDITIONAL REPEAL IN  
43 SUBSECTION A OF THIS SECTION IS SATISFIED.

1           Sec. 3. Laws 2005, chapter 274, section 3 is amended to read:

2           Sec. 3. Saving clause

3           The delayed CONDITIONAL repeal of section 15-103, Arizona Revised  
4 Statutes, as prescribed in ~~this act~~ LAWS 2005, CHAPTER 274, SECTION 2, AS  
5 AMENDED BY THIS ACT, shall not affect any matter in which the state board of  
6 education has found that a school district is insolvent or has mismanaged its  
7 finances ON OR before ~~January 1, 2008~~ THE DATE OF THE SINE DIE ADJOURNMENT OF  
8 THE FORTY-EIGHTH LEGISLATURE, SECOND REGULAR SESSION.

9           Sec. 4. Joint legislative study committee on K-12 school  
10           district receivership; membership; duties; report

11           A. The joint legislative study committee on K-12 school district  
12 receivership is established consisting of the following members:

13           1. Five members of the senate who are appointed by the president of  
14 the senate, no more than three of whom shall be from the same political  
15 party.

16           2. Five members of the house of representatives who are appointed by  
17 the speaker of the house of representatives, no more than three of whom shall  
18 be from the same political party.

19           B. The committee shall elect a chairperson from its membership.

20           C. The joint legislative study committee shall review the following:

21           1. Causes of school district financial miscalculation of budgets.

22           2. Role and responsibility of the school districts, the department of  
23 education, the county school superintendent and the county treasurer in the  
24 issuance and registration of school district warrants, including verification  
25 of budget capacity and cash availability.

26           3. Possible extension of school district receivership statutes.

27           D. The joint legislative study committee shall submit an initial  
28 report on or before December 15, 2007 that summarizes the joint legislative  
29 study committee's findings and recommendations to the governor, the president  
30 of the senate and the speaker of the house of representatives. A copy of the  
31 report shall be delivered to the secretary of state and the director of the  
32 Arizona state library, archives and public records.

33           Sec. 5. Errors in school district budget calculation;  
34           correction

35           A. Notwithstanding sections 15-905 and 15-915, Arizona Revised  
36 Statutes, a school district that miscalculated its fiscal year 2004-2005  
37 budget shall be required to correct the error over a five-year period  
38 beginning in fiscal year 2007-2008 and ending in fiscal year 2011-2012 if  
39 each of the following conditions exist:

40           1. The school district provides evidence to the superintendent of  
41 public instruction that the school district's budget for the current year is  
42 properly calculated and will not result in any overexpenditures.

43           2. The total amount of the correction from the maintenance and  
44 operations fund that would otherwise be required under section 15-915,

1 Arizona Revised Statutes, is more than two hundred twenty thousand dollars  
2 but less than two hundred forty thousand dollars.

3 3. The total amount of the correction from the unrestricted capital  
4 outlay fund that would otherwise be required under section 15-915, Arizona  
5 Revised Statutes, is more than three thousand dollars but less than five  
6 thousand dollars.

7 4. The average daily membership of the school district in fiscal year  
8 2004-2005 was more than eight hundred eighty but less than nine hundred  
9 forty.

10 B. Notwithstanding sections 15-905 and 15-915, Arizona Revised  
11 Statutes, a school district that miscalculated its budgets during fiscal year  
12 2005-2006 shall correct the error over a six-year period beginning in fiscal  
13 year 2007-2008 and ending in fiscal year 2012-2013 if both of the following  
14 conditions exist:

15 1. The department of education erroneously doubled the amount that  
16 should have been calculated pursuant to section 15-905, subsection 0, Arizona  
17 Revised Statutes, and that erroneous action resulted in an overstated general  
18 budget limit.

19 2. The total amount of the correction that would otherwise be required  
20 under this section is more than four hundred thousand dollars but less than  
21 one million two hundred thousand dollars.

22 C. Notwithstanding sections 15-905 and 15-915, Arizona Revised  
23 Statutes, a school district that miscalculated its budgets during fiscal year  
24 2005-2006 shall be required to correct the error over a five-year period  
25 beginning in fiscal year 2007-2008 and ending in fiscal year 2011-2012 if  
26 each of the following conditions exist:

27 1. The school district reported a total attending average daily  
28 membership count of more than one thousand one hundred pupils and less than  
29 one thousand two hundred pupils for the 2005-2006 school year in the annual  
30 report of the superintendent of public instruction for fiscal year 2005-2006.

31 2. The total amount of the correction that would otherwise be required  
32 under section 15-915, Arizona Revised Statutes, is more than four hundred  
33 thousand dollars but less than four hundred fifty thousand dollars.

34 D. Notwithstanding sections 15-905 and 15-915, Arizona Revised  
35 Statutes, a school district that overexpended its budgets during fiscal years  
36 2003-2004, 2004-2005 and 2005-2006 is required to correct these  
37 overexpenditures plus any overexpenditures for fiscal year 2006-2007 over a  
38 five-year period in equal installments beginning in fiscal year 2007-2008 and  
39 ending in fiscal year 2011-2012 if each of the following conditions exist:

40 1. The total amount of the corrections for fiscal years 2003-2004,  
41 2004-2005, 2005-2006 that would otherwise be required under section 15-915,  
42 Arizona Revised Statutes, is more than three million dollars but less than  
43 three million four hundred thousand dollars.

1           2. The school district did not receive state aid for equalization  
2 assistance for education during fiscal year 2005-2006 or fiscal year  
3 2006-2007.

4           3. The school district's student count calculated pursuant to section  
5 15-902, Arizona Revised Statutes, during fiscal year 2005-2006 is more than  
6 eight hundred but less than nine hundred twenty.

7           E. In addition to the monies required to be repaid pursuant to  
8 subsections A, B, C and D of this section, accrued interest is required to be  
9 paid at a rate determined by the superintendent of public instruction.

10           Sec. 6. School districts; immediate receivership

11           The state board of education shall immediately appoint a receiver  
12 pursuant to section 15-103, Arizona Revised Statutes, for any school district  
13 that uses the provisions of section 5, subsection D of this act, relating to  
14 budget correction procedures.

15           Sec. 7. Emergency

16           This act is an emergency measure that is necessary to preserve the  
17 public peace, health or safety and is operative immediately as provided by  
18 law.

APPROVED BY THE GOVERNOR MAY 25, 2007.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 25, 2007.